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THE JOY of WORKING

HOW EMPLOYEE SATISFACTION GIVES SMALL COMPANIES THE COMPETITIVE EDGE

AN EXCLUSIVE SURVEY OF GROWTH-COMPANY EMPLOYEES

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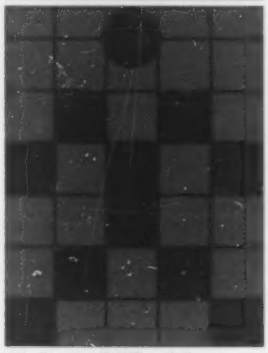
INC. COVER STORY



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COVER ILLUSTRATIONS
by
Nigel Holmes

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THE JOY of WORKING

A new study of INC. 500 firms reveals the secret of their success: motivated and enthusiastic employees

THE INC. 500—THE FASTEST-GROWING small and midsize private companies in America. Almost every manager worth his salt dreams of starting one someday. And every venture capitalist dreams of backing one. But what is it really like to work for one? Remarkably satisfying, as it turns out.

That is the conclusion of a six-month study just completed by INC. in collaboration with the nationally known management consultants of the Hay Group. Twenty-eight hundred workers were surveyed from more than 100 INC. 500 companies around the country, and focus groups were held in Atlanta, Boston, Chicago, Philadelphia, and Los Angeles. What we found everywhere were employees who were more satisfied with their jobs, and had more respect for their companies, than the employees of Corporate America.

What you notice about these INC. 500 employees is not simply that they are more satisfied, but the ways in which they are more satisfied. In terms of pay and benefits, they lag well behind the employees of large publicly held corporations. But what they miss in hard currency is more than compensated for in the soft currencies of human-resource management. INC. 500 employees find themselves in jobs that offer challenges and a sense of accomplishment. They experience a company culture that values initiative and ideas. And they are confident that they work for companies that put out quality products, treat their employees with respect, and compete effectively in the marketplace (see charts on the following page). In terms of almost all the important indices of employee relations, these are companies with plenty of momentum.

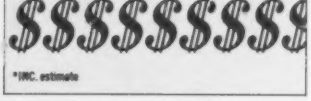
TEXT BY CURTIS HARTMAN AND STEVEN PEARLSTEIN

CHARTS/LOGO: NIGEL HOLMES

"If I were a *Fortune* 500 CEO, I'd be worried," says Michael Cooper, president of the Hay Group's Research for Management. "The positive attitudes of their employees give small companies a great competitive advantage." Cooper has found that all employees bring enthusiasm to new jobs, no matter what size the company. "Smaller companies are able to sustain this enthusiasm by empowering workers and giving them a sense of common purpose. To get similar results, large companies have to pay cash—higher wages and benefits—and that makes their cost structures just that much less competitive."

COMPENSATION
Median pay by job class

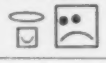
	INC. 500	Large Cos.*
Managers	$32,000	$71,000
Professionals	24,000	40,000
Salespeople	26,500	42,000
Hourly workers	10,500	18,500



*INC. estimate

FACTORS BEHIND SATISFACTION
Why small companies are better places to work

% Favorable	INC. 500	Large Cos.
Challenging, interesting work	59	49
Chance to have ideas adopted	52	35
Sense of accomplishment	59	47
Product quality	90	74
Competitiveness	86	72
Treat employees with respect	65	49

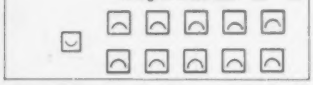


Of course, not all small companies have workers as motivated and satisfied as those of the INC. 500. In fact, the circumstantial evidence is that employee motivation is a major force behind the extraordinary growth of these companies, rather than simply the result of it. "These companies are not successful simply because they have a good product or a brilliant founder," says Cooper. "They are also successful because they have managed their people in ways that keep their involvement and sense of partnership high."

Lest you think the employees of the INC. 500 are a naïve or uncritical lot, consider how they view American business in general. They are not shy about pointing the finger at other companies for failing to reward employees, skimping on quality, ignoring customers, and thinking short term, but they find much less evidence of these shortcomings in their own companies. Only on the issue of managing growth do they find their own firms wanting—and with many of these businesses nearly doubling in size each year, who would be surprised.

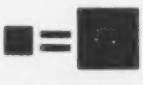
ATTITUDES TOWARD BUSINESS
INC. 500 employees compare their own companies with business at large

	My Co.	Most Cos.
Fails to reward good job performance	34	57
Is not concerned with quality	6	43
Is too interested in short-term profits	15	41
Doesn't listen to customers	6	30
Has grown too fast	30	26



PRIDE AND LOYALTY
No significant difference between big companies and small

	INC. 500	Large Cos.
Employee pride	68	64
No plans to leave	54	54



Yet for all their positive feelings, these employees express only slightly more pride in, or loyalty to, their small and growing companies than do the employees of the giant corporations. Part of it is that they have not been locked in by generous salaries and pension benefits. Part of it is that these are people who seem more energized by the type of work they do than by the company they do it for. But there also run unmistakable undercurrents of dissatisfaction within these growing companies—concerns that favorites are being played, that company plans are too closely guarded, that employees' interests and suggestions are ignored. And although these are successful companies, they are not companies that have gone out of their way to share their success with their employees.

GRIPES
Where INC. 500 employees give their companies the lowest ratings

	% Favorable
Deals fairly with everybody	45
Considers employee interests	43
Responds to employee complaints	44
Shares success with employees	44

"These are early warning signals that shouldn't just be dismissed as predictable grousing," says Harold Glass, who directs the Hay Group's strategic management practice. "They are extremely accurate predictors of future problems—not just in terms of employee relations, but in terms of product quality and operating costs, and company profits and growth."

THE HIERARCHY GAP

IN ANY EMPLOYEE SURVEY, ONE KEY FACTOR ALWAYS turns out to be job class—how high you are *on* the company is usually related to high you are *in* it. One way to gauge the extent of that phenomenon is to measure the difference in attitudes between senior managers at the top and hourly workers at the bottom—a difference the Hay Group refers to as the hierarchy gap. And in the INC. 500, this gap is enormous.

THE HIERARCHY GAP
Percentage gap in favorability rating between senior managers and hourly employees

	INC. 500	Large Cos.
Overall company rating	33	23
Pay	44	2
Challenging, interesting work	59	35
Sense of accomplishment	52	29

"A small company that doesn't become more egalitarian in its management practices will remain just that—a small company," warns Cooper. "We know from our other studies that companies with sharply hierarchical structures and beliefs do not enjoy long-term success."

From the data, it is clear that what distinguishes INC. 500 companies from the larger ones is not how satisfied are its managers but how unhappy are its hourly workers. Unlike the other employees of the INC. 500—the professionals, the salespeople, the middle managers—hourly workers just don't feel part of the team. Only a minority feel as if they share in the success (21%), or have a sense that their ideas count for much (34%), or believe that management even bothers to consider their interests (23%). Few find their jobs rewarding (26%), adequately paid (31%), or leading to advancement (19%).

Although there are any number of strategies that might be adopted to help close the hierarchy gap, it may be that resentment at the bottom is endemic to all small fast-growing companies. These are, by origin and necessity, product- and market-driven companies that have relied most heavily on professionals and their salespeople for their existence and growth. In such companies, hourly workers appear to be less important, even expendable—and they sense that from the size of their paychecks and from the way they are treated.

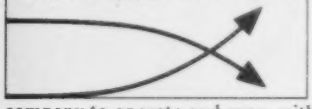
Still, the experts of the Hay Group expect that with continued growth, INC. 500 companies will begin to eat away at the hierarchy gap. At the bottom of the company, growth and success are likely to bring the higher wages and more generous benefits that hourly workers most want and need. And at the top, growth will eventually erode some of the satisfactions that smaller businesses more naturally can offer their managers and professionals. The satisfaction gap between top and bottom should gradually diminish.

Indeed, even within the confines of the INC. 500 there is ample evidence that employee attitudes change noticeably as companies move through various stages of growth. Our survey

revealed that there are dips in satisfaction when a work force reaches 45 employees, then again at 100. Roughly speaking, these might be defined as the rites of passage in the maturation process of young companies.

SIZE AND SATISFACTION
Positive attitudes decline as companies grow

	% Favorable			
No. of employees	0–29	30–69	70–99	100+
Overall company rating	88	83	77	65
Employee pride	78	74	69	59
Respect for employees	75	72	67	57



"Without systematic attention to employee attitudes, these companies can very quickly begin to lose their advantage," warns the Hay Group's Cooper. "The trick is to find systems that will allow a company to replicate the commitment and excitement that was so important during the start-up phase—and thus allow the company to operate and grow without everything having to rely still on the founder or CEO."

KEEPING SATISFACTION HIGH

HOW DOES A COMPANY KEEP ITS EMPLOYEES SATISfied even as it grows? Our study suggests three approaches.

☐ **Share the future.** Despite their employees' positive attitudes, the companies of the INC. 500 experience high turnover—nearly half of the employees say they expect to leave their companies in the next few years. Employees feel stronger connections to their jobs, to their colleagues, even to the company's products than to the companies themselves.

One reason is that employees don't see as much chance for promotion and advancement as they have been led to expect. In response to a series of questions relating to job satisfaction, opportunity for advancement ranked dead last with every job class. And it is one of few areas in which the INC. 500 does not enjoy a significant advantage over large corporations. Among those expecting to leave the company, nearly half said they found opportunities for advancement were wanting.

ADVANCEMENT
How different job classes assess opportunity for promotion

% Favorable	INC. 500	Large Cos.
Managers	53	51
Professionals	39	25
Salespeople	49	41
Hourly workers	19	17

Although there is probably nothing more important that a company can do to enhance the possibility of advancement than to continue to grow, companies could make more systematic efforts to promote from within, especially for highly visible positions. Big companies do a better job than smaller ones in creating a culture that values loyalty and longevity of service. That has its problems, but it does help to account for a more manageable rate of employee turnover.

PENSIONS
How different job classes assess retirement benefits

% Favorable	INC. 500	Large Cos.
Managers	29	49
Professionals	27	24
Salespeople	21	44
Hourly workers	18	31

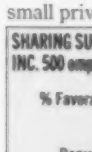
Good pension plans also help to lock in good employees. Right now, the employees of the INC. 500 find pensions woefully inadequate, from the senior managers right on down. Many small companies argue that they can't afford pension or other deferred-compensation programs. But a better question may be whether they can afford to do without them.

"In approaching things such as pensions," advises Kenneth Shapiro, who directs Hay's benefits consultants, "it is important to think of them not strictly as costs, but as investments—investments that have measurable returns in lower employee turnover, increased loyalty—eventually—and productivity improvements." Shapiro says that, on average, pensions cost a large company 7% of payroll, but suggests that small companies should start at a more modest level and phase in programs over time.

☐ **Share information.** One area in which big companies outshine the INC. 500 is in internal communications. This is less so in the smallest companies where all employees can attend the same staff meeting and many CEOs manage by simply walking around. But as companies reach 40 and 50 employees, the somewhat informal lines of communication of the early days no longer are so effective. This puts particular strains on managers and supervisors, who are often left in the dark by owner-founders still in the habit of keeping everything to themselves.

INFORMATION
How well informed do managers feel about company plans and goals

% Favorable	INC. 500 with 45+ employees	Large Cos.
Senior managers	66	82
Middle managers	70	82
Supervisors	53	71



The solutions here are not very magical. CEOs have to do a better job of sitting down with managers and supervisors and letting them know how the company is doing and what plans are in the offing. The risk, of course, is that your managers won't be discreet with the information or pleased with the plans. The risk of not consulting them, however, is that the good ones won't stay.

☐ **Share success.** Part of the mythology of the fastest-growing small private companies is that everybody gets in on the action. But it turns out to be just that—a myth. Only 13% of the INC. 500 employees cite profit sharing and stock options as a reason for staying at their firms, putting it last on the list of company attractions. And when asked how they rated their companies in terms of sharing successes, these otherwise upbeat employees turned sour. Among those with negative views of their companies, moreover, lack of profit sharing is more of a bone of contention than either low pay or meager benefits.

SHARING SUCCESS
INC. 500 employees feel shortchanged

% Favorable	Manager	Prof.	Sales	Hourly
Bonuses, profit sharing, stock options	47	43	38	22
Company shares success	54	49	52	21

"There is a good deal of psychological importance to this idea of sharing and involvement," explains the Hay Group's Cooper. "The degree to which employees feel that the company's success is only the CEO's success is the degree to which the company will have difficulty sustaining growth."

Obviously, it is not as easy to offer stock to employees in small private companies as in giant public ones—nor is it necessarily recommended. Other types of profit-sharing plans are much less risky and less complicated. But what generally stands in their way is the feeling on the part of many CEOs that, when all is said and done, the company's successes are really their own successes, and the rewards belong to them. Egotism and entrepreneurship seem to go hand in hand.

"I'm alone at the top," explained a CEO at our Philadelphia focus group. "I take all the pressures. And I deserve the rewards." Added another, "If an employee is able to keep his job for a long time, he might not call that sharing the success. But I do." Both CEOs made it clear these were sentiments they would not want to share with their employees. Our survey, however, indicates that the employees have figured it out on their own. ☐

(additional survey results on page 66)

SATISFACTION & JOB CLASS:

MANAGERS

Median salary: $32,000

Median age: 36

Attractions: challenge, colleagues

Disappointment: lack of advancement

Advantage of small companies: havings ideas adopted

Gripes: uncontrolled growth, CEO's reluctance to share information

	% Favorable	
	INC. 500	Large Cos.
Company rating	83	83
Job satisfaction	94	89
Pay	62	64
Security	61	66
Have ideas adopted	65	49
Challenging, interesting work	71	62
Authority to make decisions	72	59
Opportunity for advancement	53	51
No plans to leave	64	74

IF THE BIG COMPANIES OUGHT TO HAVE ANY ADVANtage, it is here in the ranks of management. Big-company pay is better—as much as double. The benefits are substantial. And the perception at least is that the jobs are more secure. More important, big companies are places that pride themselves on management and management systems rather than the seat-of-the-pants approach so common in entrepreneurial operations.

And yet, for all that, the middle managers of the INC. 500 are still happier than their counterparts in the corporate world—happier about their jobs and their companies. Even with CEOs always looking over their shoulders, INC. 500 managers feel they have more opportunity to make decisions and have their ideas adopted, to experience challenge and feel a sense of accomplishment. You also have the sense that they feel better about themselves because of the way the company treats those below them in the hierarchy. As middle managers, they feel less middled.

More than any other employees, INC. 500 middle managers feel the stresses of growth—fully a third say their companies have grown too fast. That should be no surprise. When orders outpace the capacity to fill them, when new products are introduced or new companies acquired, it is left to the middle managers to work out the details and iron out the kinks—and to explain why the new business isn't quite as profitable as predicted.

More than any other employees, middle managers came to the INC. 500 looking for advancement, only to find no greater opportunity than at the large companies where most had worked before. It is a frustration that builds the longer they stay. "My area can grow," explained one manager in Atlanta. "But the only place I can go up to is ownership, and that's not going to happen."

A more serious complaint is that middle managers too often feel left out. Nearly half say the company does an inadequate job of sharing—sharing information, sharing authority, and sharing success. In ranking the CEO, they give high marks for working hard and knowing what's going on, but only average marks for approachability.

PROFESSIONALS

Median salary: $24,000

Median age: 29

Attractions: challenging work, chance to learn new skills

Disappointment: failure to learn new skills

Advantages of small companies: good equipment, high standards, chance to have ideas adopted

Gripes: favoritism, inadequate training, lack of advancement

	% Favorable	
	INC. 500	Large Cos.
Company rating	79	54
Job satisfaction	88	77
Pay	51	43
Challenging, interesting work	67	46
Authority to make decisions	58	40
Opportunity for advancement	39	25
High performance standards	62	32
Equipment	75	39
No plans to leave	50	51

IF, AS PETER DRUCKER SAYS, THE CHALLENGE FOR business today is to learn how to manage heads instead of hands, then big business has a lot to learn from the INC. 500. For it is among the professionals that these small companies enjoy their greatest advantage.

"Large companies try to 'Taylorize' their professionals—they worry about their productivity and try to manage them as they would manage a welder or an assemblyman," explains the Hay Group's Michael Cooper. "In the INC. 500 companies, by contrast, professionals are clearly part of the fabric."

We are talking here of computer programmers and lawyers, but also first-year accountants and marketing specialists. At a focus group in Los Angeles, it was the little things—the beer blasts and tennis courts and company condo in Vail—that came most easily to mind to the largely under-30 group. The big items jump out from the survey data: the challenging work, the up-to-date equipment, the opportunity to see their ideas adopted. Of all the employee groups, only professionals take more pride in their companies than their big-company counterparts. These are employees who talk about the company in first-person plural, as in, "We can service our customers faster," or, "We may look like we're disorganized, but we're not." Said another: "The quality is personal—that product is us."

Yet for all the pride and close identification with product, these INC. 500 professionals are just as likely to move on in the next few years as would professionals anywhere. Their loyalty is to careers more than to companies, and if they fault the INC. 500 on anything, it is on its training and its opportunities for advancement.

THE INC. 500 AT A GLANCE

SALESPEOPLE

Median salary: $26,500

Median age: 30

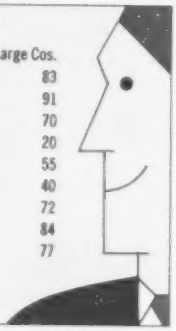
Attractions: challenge, company reputation, pay

Disappointment: failure to learn new skills

Advantages of small companies: authority to make decisions, quality products, a competitive company

Gripes: pay, benefits, inability to share fully in success

	% Favorable	
	INC. 500	Large Cos.
Company rating	86	83
Job satisfaction	91	91
Pay	60	70
Have ideas adopted	63	20
Challenging, interesting work	70	55
Authority to make decisions	67	40
Company competitiveness	93	72
Product quality	94	84
No plans to leave	64	77



THEY SAY YOU CAN'T CONVINCE CUSTOMERS OF THE value of your product and your company until you've first convinced yourself. And these folks are sold.

Aside from senior managers, the sales force is the most satisfied employee group within the INC. 500. They truly like their jobs, love their companies, and think even more highly of their products than the companies' top executives. If attitude translates into sales, these folks must be beating the pants and skirts off their competitors in Corporate America. Color them highly motivated.

Well, almost. It seems that money is a bit of a sticking point. More than for any other employees, it was the money that brought the salespeople to the INC. 500, and it is money that is more important to them in deciding to stay. But only 60% of the sales force finds the pay adequate, compared with favorability ratings on most nonmonetary issues in the 70s, 80s, even 90s.

And don't forget the fringe benefits. Salespeople apparently have never met a perk they didn't like—or think was undeserved. Here is the only group of employees who complain less about perks for top executives than even the top executives themselves!

You have to love those salespeople, though. At focus groups, you know them right away. While others will sit around waiting for the session to begin, the salespeople are the ones introducing themselves as soon as they enter the room, passing calling cards back and forth, beaming with bonhomie. No group complains less about overwork than the men and women of sales.

The small-company environment suits them—only one in five expresses a preference for the formalities of a big-company sales force. "It's more flexible, and we can turn things around fast," said one. "If you have to change a policy to make a customer happy, it's easier."

HOURLY WORKERS

Median wages: $10,500

Median age: 28

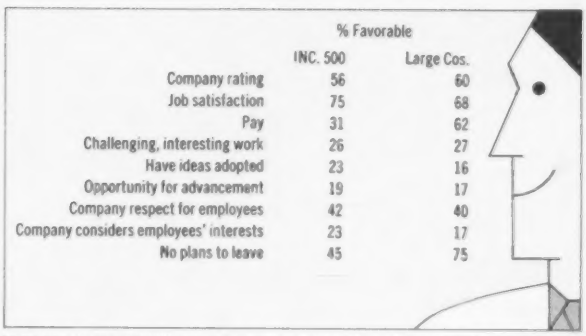
Attractions: convenience of hours and location

Disappointment: failure to learn new skills

Advantages of small companies: good equipment and training

Gripes: unsatisfying work; pay and benefits; favoritism; the company's failure to reward good work

	% Favorable	
	INC. 500	Large Cos.
Company rating	56	60
Job satisfaction	75	68
Pay	31	62
Challenging, interesting work	26	27
Have ideas adopted	23	16
Opportunity for advancement	19	17
Company respect for employees	42	40
Company considers employees' interests	23	17
No plans to leave	45	75



HOURLY WORKERS ARE THE SKEPTICS OF THE ENTREpreneurial age. They experience all the disadvantages of small growing companies—less generous pay and benefits, a certain lack of planning. And yet they experience many fewer of the advantages: jobs that are challenging and satisfying, a company that considers their interests and treats them with respect. A union organizer could not ask for a more inviting group.

The hourly employees are also the realists of the group. Unlike other employees who came to the INC. 500 looking for challenge or advancement or a chance to exercise greater control over their work lives, the hourly workers signed on because the company's hours and location were convenient (62%) or because they thought they might improve their job skills (58%). Today, they find the jobs every bit as convenient, although nowhere near as enriching of their skills as they had hoped (39%).

In a focus group held in Chicago, we found that hourly workers could run hot or cold on their chief executives, but were more unanimous in their views on middle management:

"The boss is a good guy," said one, "and he's there all the time. But if you're not in top management, what he does doesn't matter. My beef is with the people who work under him. They don't know what we do to get the work done."

Added another: "If this were a real company, we'd have managers who knew how to get the work out smoothly. I see too many people getting away with things, coming in late, and goofing off. The managers have been there since day one—that's why they're managers, not because of what they know."

(additional survey results on page 70)

CEOs & EMPLOYEES:
HOW THEY VIEW ONE ANOTHER

The boss's big mistake is thinking that all his employees are just like him

WE ASKED THE CHIEF EXECUTIVE OFFICERS OF THE INC. 500 to fill out a questionnaire, too—not in a way that reflected their own feelings, but as they thought their average employee would. It turned out they were a bit optimistic.

EXPECTATIONS VERSUS REALITY
Percentage gap between employee favorability and CEO predictions

Overall company rating	24
Ability of top management	19
Company efficiency	11
Employee pride	18
Respect for employees	23
Fairness	32

THE BOSS
Employees rate the INC. 500 CEOs

	% Favorable
Knows employees' names	75
Understands their jobs	61
Is seen weekly	53
Can be approached with a problem	49
Works as hard as anyone	67
Knows what's going on	68

If there is a pattern to the CEOs' misunderstandings about their employees, it is a very human one: too often, CEOs think employees are like themselves. Take the question of motivations. CEOs significantly overrated factors such as recognition of accomplishments and control over work as reasons why employees chose to work for the INC. 500—reasons often cited by entrepreneurs for starting their own businesses. And the CEOs consistently underestimated those factors that mean little to their own sense of satisfaction: things like learning new skills and convenience of hours and location.

In fact, what we found was that, although these are companies run by hard-charging, entrepreneurial risk takers, theirs is not a personality type that runs through their operations. According to an index devised by the Hay Group, INC. 500 employees at all levels are even more interested in security and less interested in risk taking than employees of large companies.

"Contrary to the popular myth, the typical INC. 500 company is certainly not populated with entrepreneurs," explains the Hay Group's George Gordon. "In smaller firms, the founder is still so involved in operational details that there may be less call for people to exercise initiative. Then too, it may be that entrepreneurs don't generally feel comfortable with other strong entrepreneurial types around them. As a result, it appears that the primary risk takers in these firms are the founders themselves."

This habit of projecting their own personalities onto employees also shows up when CEOs are asked to anticipate employees' complaints. Because they are themselves overworked and plagued by problems of company growth, CEOs expect employees to experience these problems much more than they actually do. And because CEOs are the type of people who find even modest procedures confining, they don't appreciate how much their employees really need and want them. Perhaps most important, CEOs underestimate the widespread nature of employee gripes that cluster in areas such as fairness, loyalty, and respect.

And yet there is one area in which CEOs are very careful not to think of their employees as they think of themselves, and that is in the area of money. It is a rare CEO who doesn't give credit for company successes to his key employees or talk about the work force in terms of teamwork and family. But mention pay or benefits or profit sharing and suddenly the world divides neatly into owners and hired help. It is not just that CEOs underestimate how much employees resent not sharing in the company's success, although they do. It's more that they don't see the connection between sharing and the company's continued success. At a CEO focus group in Philadelphia, they seemed to put it this way: "My employees can execute what I want done, but I'm the one with the ideas, and the success is mine."

SHARING SUCCESS
Percentage gap between employee favorability and CEO predictions

Pay	20
Bonuses, profit sharing, stock options	13
Medical benefits	26
Pensions	8
Company shares success	13

OTHER FINDINGS

The second-year itch. How employees view their companies changes over time. The first year elicits high levels of respect before a sense of disappointment hits in year two. By years three and four, those most dissatisfied have probably gone elsewhere, leaving behind a group of veterans who seem to get more satisfied with each passing year. The Hay Group has found a similar pattern in larger companies, though the period of dissatisfaction tends to last longer.

THE SECOND-YEAR ITCH
Most employees experience a letdown after the first year

	Co. rating % Favorable
Year 1	78
Year 2	73
Year 3–5	77
Year 6+	82

Satisfaction by sector. Actually, there were fewer differences in employee attitudes among the various sectors of the INC. 500 than we would have expected. Those who work in construction are uniformly the most critical of their companies even though they are the most satisfied with their own jobs.

In contrast, there are the retail employees, who are the lowest paid and the least satisfied with their jobs, yet express the highest admiration for their companies. Retail workers are also the least likely to quit anytime soon. More consistent in their views were service workers, who were the most positive in the survey, and manufacturing and distribution, who were the most doggedly negative.

SATISFACTION BY SECTOR
Service and retail workers are the most content

	% Favorable				
	Service	Retail	Constr.	Mfr.	Distr.
Overall company rating	77	79	61	71	76
Challenging, interesting work	60	57	55	56	58
Fairness	46	49	37	41	39
Company shares success	46	47	20	42	36
Median pay	$23,250	$18,000	$22,500	$20,000	$18,500

HOW THE INC./HAY SURVEY WAS CONDUCTED

To measure the attitudes of INC. 500 employees, INC. and the Hay Group of Philadelphia sought the cooperation of 125 companies that had been listed on the INC. 500 list of fastest-growing private companies from 1984 through 1986. The final group of participating companies reflected the geographic and sector distribution of the universe of INC. 500 companies. Companies with fewer than 10 employees or more than 500 workers were excluded.

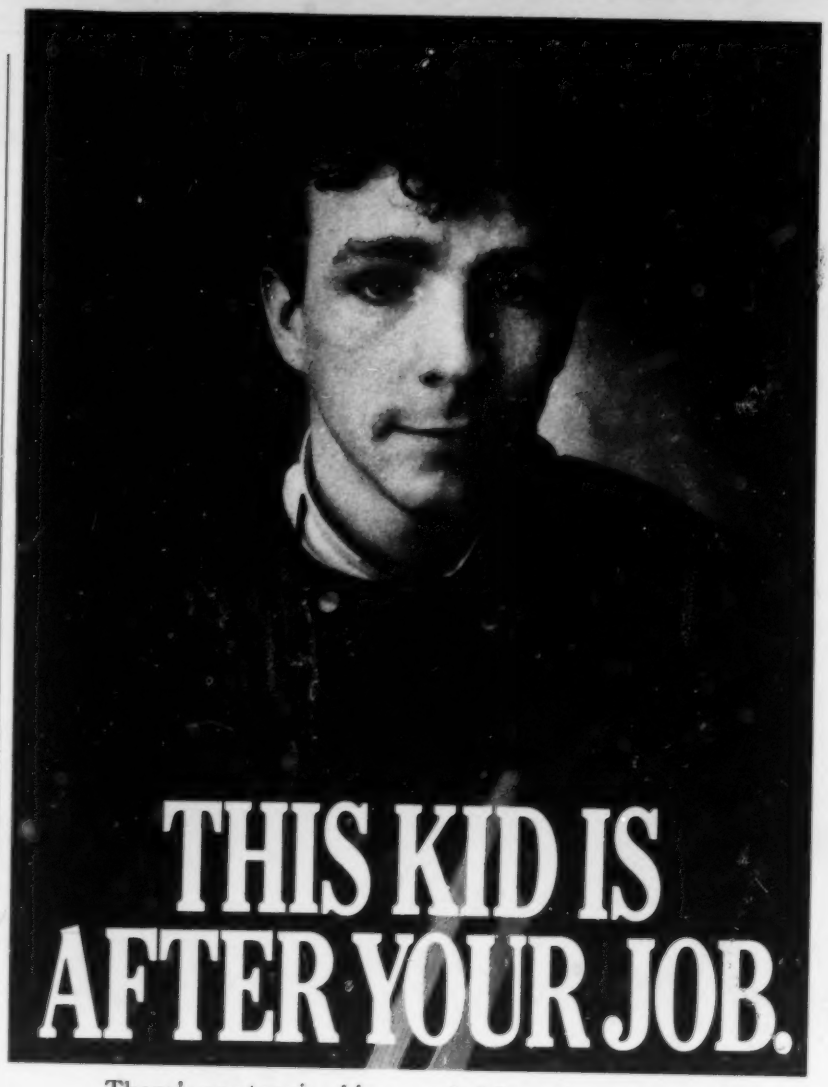
Each company was asked to distribute a 70-item questionnaire to all its employees. Participation was voluntary and anonymous, and the survey was self-administered. Nearly 3,000 surveys were returned directly to INC. by postpaid envelope, and tabulated by Data Tabulation Services Inc., in Stoneham, Mass. Responses from companies with participation rates of less than 30% were subsequently excluded from the survey.

Once the survey results had been compiled, Hay Group consultants conducted focus sessions for small groups of INC. 500 chief executive officers, managers, professionals, salespeople, and hourly workers. The sessions were held in Philadelphia, Atlanta, Los Angeles, Boston, and Chicago, respectively.

Figures for employee attitudes at large companies were taken from the 1987 Hay Employee Attitude database compiled from proprietary surveys of employees in 1,900 U.S. corporations, ranging in size from 500 to 50,000 employees. For purposes of this article, only those large companies showing five-year sales growth were used.

The INC./Hay Employee Survey was prepared under the direction of INC. special projects editor Sara Baer-Sinnott and Fowler Shaw, management information director at the Hay Group. Analysis and technical assistance were provided by Lance Berger, Mary Searles, Bonnie Goldberg, Jim Gouthro, George Gordon, and Doran Twer at the Hay Group and Jodie Slothower and Deborah L. Weeks at INC.

Results of the INC./Hay Group Employee Survey may be not reprinted or broadcast except by permission. Copyright 1987 INC. Publishing Co. and the Hay Group. A complete report of the survey results, along with a more detailed analysis and comparison to large-company employees, will be published early next year. Copies may be reserved by writing the Center for Management Research, 55 William St., Wellesley, MA 02181.



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